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RHEBAAA/DEPT OF ENERGY WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
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UNCLAS SECTION 01 OF 02 NEW DELHI 001885

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USDOC FOR 4530/ITA/MAC/OSA/LDROKER/ASTERN  
DEPT PASS TO USTR- DHARTWICK/CLILIENFELD/AADLER  
DEPT PASS TO TREASURY FOR OFFICE OF SOUTH ASIA - ABAUKOL  
TREASURY PASS TO FRB SAN FRANCISCO/TERESA CURRAN

E.O. 12958: N/A  
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SUBJECT: NEW DELHI WEEKLY ECON OFFICE HIGHLIGHTS

REF: Mumbai 107

¶1. Below is a compilation of Economic highlights from Embassy New Delhi for the week of April 16-20, 2007.

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New FDI Regulations Go into Effect  
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¶2. (U) India's new FDI regulations in telecom were officially notified by the GOI on April 18. The regulations increase allowable FDI in the sector from 49% to 74% while allowing investors to access their networks remotely, a key request of U.S. industry. For further background, see cable New Delhi 1438.

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SAARC Experts Review  
Summit Progress  
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¶3. (SBU) Emboffs met on April 11 with Delhi-based SAARC (South Asian Association for Regional Cooperation) followers, Prof. Amir-Ullah Khan of the India Development Foundation, Jayshree Sengupta of Observer Research Foundation, and Prof. M.P. Lama and I.N. Mukherji from Jawaharlal Nehru University, to hear their impressions of the preceding week's SAARC summit. Most expressed disappointment that India's leaders did not use their role as Summit host to announce more ambitious new programs or initiatives. Lama opined that the declaration this year was not very different from past years'. The disappointment was probably exacerbated by dashed hopes, as Foreign Minister Pranab Mukherjee and Foreign Secretary Shiv Shankar Menon had asked several prior to the summit, including Lama and Khan, to offer suggestions on new steps that India could take to improve SAARC and regional integration.

¶4. (SBU) While disappointed, the observers did acknowledge that the proposed South Asian university held promise for bringing together young, potential future leaders, of South Asia in an academic and collaborative environment. Mukherji and Lama also pointed to the potentially beneficial role that the new observers -- China, Korea, US, EU, Japan, and Iran -- could play as motivators and potential pressure points for progress on regional integration, pressing Emboffs for information on what the US intended its role to

be. Lama asserted that SAARC had no domestic political constituents within South Asia, and saw the observers as playing that role. He also noted how the observers came to be invited. First, Pakistan, Bangladesh and Nepal asked for China, and in response, India, not wishing to be seen as a spoilsport, did not reject China's membership, but suggested Japan as a counter. After the US and EU were considered, the group decided Iran was the counterweight to the US. The one country the group would like to see invited as an observer was Myanmar. The final note was optimistic - our interlocutors looked to provincial efforts at cross border trade, citing India and Pakistan's Punjab and the Indian states of the North East's engagement with Bangladesh, as engines of integration.

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FDI Soars, Surpasses FII  
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¶5. (U) Commerce Minister Nath announced today that foreign direct investment (FDI) in the fiscal year ending March 2007 surged to \$16 billion - nearly triple the amount in the preceding fiscal year. The \$16 billion does not include reinvested earnings, which are commonly included in countries' FDI totals. Inclusion of reinvested earnings brings India's total to \$19 billion for the year. While this is still behind China, the difference has narrowed to a factor of 4, rather than a factor of 10 as it was last year. FDI into India also surpassed its foreign institutional investment (FII) into India's stock exchanges for the first time in recent years, providing more stable investment in the country.

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Government Targets \$160 billion  
in exports for 2006-07  
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¶6. (U) Exports in the previous fiscal year ending March 2007 reached approximately \$125 billion, according to preliminary figures from the Commerce Ministry. To reach its goal of \$160 billion for the current fiscal year, exports would have to increase by 28%, which is above the export trend growth rate of approximately 23% in the past few years. Acknowledging the headwind an appreciating rupee poses for export-oriented industries, Commerce Minister Nath nevertheless believed the target was achievable, particularly given the increasing diversity of exported products. Among other sectors, India is seeing growth in exports in machinery and engineering goods, autos and auto components, petroleum products, and fruits, vegetables and processed foods.

¶12. (U) Visit New Delhi's Classified Website:  
<http://www.state.sgov/p/sa/newdelhi>

Mulford